

**CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE**

**REPORT ON AUDIT OF INSTITUTION
OF HIGHER EDUCATION
IN ACCORDANCE WITH OMB CIRCULAR A-133
June 30, 2008**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Cincinnati State and Technical Community College
3520 Central Parkway
Cincinnati, Ohio 45223

We have reviewed the *Independent Auditor's Report* of the Cincinnati State and Technical Community College, Hamilton County, prepared by Crowe Horwath LLP, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cincinnati State and Technical Community College is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 14, 2008

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CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Cincinnati State Technical and Community College
Cincinnati, Ohio

We have audited the accompanying financial statements of the business-type activities of Cincinnati State Technical and Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2008 and 2007, which comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) on pages 3 to 12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 14, 2008

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2008, with selected comparative information for the years ended June 30, 2007 and 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

Cincinnati State is a public, two-year college operating under the authority of the Ohio Board of Regents. Governed by a nine-member Board of Trustees, the College offers over 70 associate degree programs and majors and numerous certificate programs. In addition to pre-baccalaureate and technical programs, the College provides many continuing education opportunities through flexibly scheduled courses, seminars and on-site training for area businesses and industries and has one of the largest co-op education programs in the country. Cincinnati State is fully accredited by the North Central Association of Colleges and Schools (NCA) and holds numerous programmatic accreditations.

The College is currently participating in the Academic Quality Improvement Program (AQIP), an NCA program based on the Malcolm Baldrige National Award principles for organizational quality management. Many faculty and staff participate in the Continuous Quality Improvement Network (CQIN), a national organization that benchmarks best practices in higher education. Partnerships with the American Quality and Productivity Center, the American Society for Quality and the Association for Quality provide many training opportunities and other resources.

Cincinnati State serves four Ohio counties in the metropolitan Cincinnati area and counties in Northern Kentucky and Eastern Indiana. Educational programs and services are delivered at the main Clifton campus and three extension sites, Harrison, Evendale and Warren County, as well as several regional sites located in schools, non-profit agencies and organizations. Distance learning courses enroll students from outside and within the geographic region. At Cincinnati State, access means geographic convenience, affordability and resources to allow students to matriculate successfully.

USING THE FINANCIAL STATEMENTS

The College's financial report consists of three financial statements—the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The College has adopted GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by additional GASB Statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the College as a whole, with resources classified for accounting and reporting purposes into three net asset categories.

STATEMENT OF NET ASSETS

The statement of net assets presents the financial position of the College at the end of the fiscal year. Net assets represent the difference between total assets and total liabilities. Net assets indicate the overall financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30 follows (*in thousands*):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash, cash equivalents and investments	\$ 19,562	\$ 15,376	\$ 11,027
Accounts receivable, net	6,901	6,350	6,864
Other assets	1,096	1,338	1,190
Capital assets, net	<u>90,272</u>	<u>92,410</u>	<u>93,874</u>
Total assets	<u>117,831</u>	<u>115,474</u>	<u>112,955</u>
LIABILITIES			
Accounts payable and accrued expenses	7,772	7,092	6,756
Deferred revenue	3,092	2,843	3,542
Debt	<u>48,596</u>	<u>48,933</u>	<u>49,245</u>
Total liabilities	<u>59,460</u>	<u>58,868</u>	<u>59,543</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,586	44,588	45,915
Restricted	1,363	446	173
Unrestricted	<u>14,422</u>	<u>11,572</u>	<u>7,324</u>
Total net assets	<u>\$ 58,371</u>	<u>\$ 56,606</u>	<u>\$ 53,412</u>

Assets

Cash and investments make up 16.6%, 13.3% and 9.8% of total assets at June 30, 2008, 2007 and 2006, respectively. This continues the trend that began in 2006 that shows improved operating results increasing the College's cash and investments. Cash includes bank deposits, overnight sweep investments and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and other bank certificates of deposit.

Accounts receivable make up 5.9%, 5.5% and 6.1% of the total assets at June 30, 2008, 2007 and 2006, respectively. The increase in accounts receivable is attributable primarily to more timely billing and collections of grants and contracts. Accounts receivable include (*in thousands*):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Grants	\$ 781	\$ 1,195	\$ 1,569
State appropriations	237	1	227
Student and other operating receivables	8,025	7,741	7,255
Allowance for doubtful accounts	<u>(2,142)</u>	<u>(2,587)</u>	<u>(2,237)</u>
	<u>\$ 6,901</u>	<u>\$ 6,350</u>	<u>\$ 6,814</u>

Capital assets, net of depreciation, make up 76.6%, 80.0% and 83.1% of the total assets at June 30, 2008, 2007 and 2006, respectively. The decrease in the capital assets percentage is due primarily to depreciation in 2008 and 2007 exceeding capital additions and the increase in cash and investments noted above. Other assets include prepaid expenses and cafeteria inventory.

Liabilities

Liabilities of \$7.8 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies and utilities and \$3.1 million of deferred revenue for summer-term classes, which is recognized in fiscal year 2008 when the majority of the term occurs.

The College issued bonds in fiscal year 2003 in the amount of \$47,580,000 for the construction of the Advance Technology & Learning Center (ATLC) and parking garage. The bonds are due to mature in the year 2029.

Net Assets

Invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities and debt attributable to the acquisition or construction of those assets. This is the largest net asset category totaling 73.0%, 78.8% and 86.0% of total net assets at June 30, 2008, 2007 and 2006, respectively. Restricted net assets are subject to externally imposed stipulations that they be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net assets are expendable. Unrestricted net assets are not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net assets are allocated for academic and capital programs and initiatives.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets present both the operating results and the non-operating revenues and expenses of the College. State appropriations, while budgeted for operations, are considered non-operating revenues. A summarized comparison for the years ended June 30 follows (*in thousands*):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Tuition and fees, net	\$ 22,416	\$ 21,945	\$ 19,841
Grants and contracts	14,231	12,897	14,164
Sales and services	2,409	2,082	1,788
Auxiliary services	3,126	2,786	2,408
Other operating and nonoperating revenue and gifts	1,588	1,573	1,386
State instructional appropriations	27,427	26,051	24,081
State capital appropriations	<u>2,532</u>	<u>2,156</u>	<u>4,169</u>
Total revenues	<u>73,729</u>	<u>69,490</u>	<u>67,837</u>
EXPENSES			
Instruction	27,412	25,893	25,383
Public support	2,123	1,708	1,416
Academic support	4,340	4,066	3,957
Student services	6,665	5,884	5,725
Institutional support	14,998	12,692	10,972
Operations and maintenance of plant	6,626	6,456	6,785
Depreciation	3,308	3,590	4,797
Scholarships	1,524	1,226	1,223
Auxiliary services	2,630	2,369	2,159
Interest on capital asset related debt	<u>2,338</u>	<u>2,412</u>	<u>2,282</u>
Total expenses	<u>71,964</u>	<u>66,296</u>	<u>64,699</u>
Increase (decrease) in net assets	1,765	3,194	3,138
Net assets, beginning of year	<u>56,606</u>	<u>53,412</u>	<u>50,274</u>
Net assets, end of year	<u>\$ 58,371</u>	<u>\$ 56,606</u>	<u>\$ 53,412</u>

Revenues

State appropriations comprising state instructional subsidy and access challenge funding increased by \$1.4 million, or 5.3%, compared to fiscal year 2007.

State capital appropriations decreased by \$376,000 in fiscal year 2008. The amount of capital appropriations used varies from year to year depending on the number of projects undertaken and completion of the projects during each year.

Student tuition and fees are reported net of scholarship allowance. Instructional revenues for fiscal year 2008 increased by \$810,000, or 2.6%, over fiscal year 2007. Financial aid in the form of grants and scholarships increased by \$340,000, or 3.5%, in 2008. Both increases are primarily due to an increase in enrollment. The effect of netting the scholarship allowances against the instructional revenues resulted in a net increase in tuition and fees of \$471,000, or 2.1%.

Sales and services revenue consists primarily of workforce development job skills training. For-credit training generated an increase in workforce development revenues of \$267,000. Non-credit revenues through the College's community outreach program increased approximately \$38,000. Overall, sales and services revenues increased by \$327,000, or 15.7%.

Auxiliary services revenues consist of parking, cafeteria, childcare center, airport rental fees and fuel sales, and sales of the Midwest Culinary Institute (MCI) and audio/visual services. Parking revenues and cafeteria sales represent approximately 69.4% of the fiscal year 2008 total auxiliary services revenues of \$3.1 million. The total increase in auxiliary service revenues of \$340,000, or 12.2%, over fiscal year 2008 comprises an increase in parking revenues of \$128,000, or 12.1%. In addition, in fiscal year 2008 the MCI opened a restaurant, which generated new revenue of \$105,000.

Expenses

Expenses for fiscal year 2007 increased by \$5.7 million, or 8.5%, over fiscal year 2007. The change derives primarily from the following five functional categories of expense.

Instructional expenses increased by \$1.5 million or 5.9%. Increased spending for adjunct instructors, instructional overload and special units arises from vacant positions.

Public support is made up largely of workforce development programs. Expenses increased by \$415,000, or 24.3%, primarily as a result of an increase in workforce development programmatic activities.

Student services increased by \$781,000 or 13.3%, due to an increase in new grants and contracts.

Institutional support expenses increased by \$2.3 million, or 18.2%. Reasons for the increase include filling vacant positions, increased use in advertising and promotions, increased use of contracted services and increasing the provision for doubtful receivables.

Student services increased by \$781,000 or 133%, due to an increase in grants and contracts.

The major portion of the increase in auxiliary services expenses of \$262,000, or 11.1%, was a result of increase operations of the Summit restaurant in the MCI.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the College's financial results by reporting the major sources and uses of cash. A comparative summary of the statements of cash flows for the years ended June 30 follows (*in thousands*):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net cash from operating activities	\$ (28,858)	\$ (25,866)	\$ (24,961)
Net cash flows provided by			
Non-capital financing activities	33,739	32,224	30,930
Net cash flows from capital and			
related financing activities	(1,411)	(2,710)	(52)
Net cash flows provided by investing			
activities	<u>716</u>	<u>701</u>	<u>317</u>
Net increase (decrease) in cash			
and cash equivalents	4,186	4,349	6,234
Cash and cash equivalents, beginning of year	<u>15,376</u>	<u>11,027</u>	<u>4,793</u>
Cash and cash equivalents, end of year	<u>\$ 19,562</u>	<u>\$ 15,376</u>	<u>\$ 11,027</u>

The \$4.2 million increase in net cash flows results from increases in student enrollment and state instructional subsidy funding increases.

The primary cash receipts from operating activities consist of tuition and fee revenues. Cash outlays for operating activities include payments of wages, benefits, supplies, utilities and scholarships.

State appropriations and certain grants are the primary sources of non-capital financing activities. GASB Statement 35 requires that we reflect these sources of revenue as non-operating even though the College's budget depends on this to continue the current levels of operations. Had these resources been reported as operating revenue, the net cash used in operating activities would have been a surplus of \$4.9 million in 2008, a surplus of \$6.4 million in 2007, and a surplus of \$6.0 million in 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$90.2 million at June 30, 2008, a decrease of \$2.2 million. Significant changes to capital assets during fiscal year 2008, included (in millions):

	Balance, June 30, <u>2007</u>	Net Additions/ <u>Reductions</u>	Balance, June 30, <u>2008</u>
Land	\$ 2.6	\$ 0.0	\$ 2.6
Land improvements	2.2	0.0	2.2
Buildings and improvements	114.7	0.7	115.4
Equipment and furniture	9.7	(1.0)	8.7
Library books and audio visual	1.4	0.0	1.4
Accumulated depreciation	<u>(38.2)</u>	<u>(1.9)</u>	<u>(40.1)</u>
Capital assets, net	<u>\$ 92.4</u>	<u>\$ (2.2)</u>	<u>\$ 90.2</u>

Debt

At June 30, 2008, bonds payable, including the bond premium, amounting to \$48.4 million consisted of the General Receipts Bonds, Series 2002, for the ATLC and parking garage. Capital lease obligations of \$171,000 consist of communication infrastructure.

Debt decreased by \$318,000, resulting from the annual principal payment and the annual amortization of the \$1.1 million bond premium on the General Receipts Bonds and the annual lease payment on the capital lease.

ECONOMIC IMPACT ON FUTURE OPERATIONS

To bolster the Ohio economy, the Governor has placed higher education at the top of Ohio's priorities, emphasizing affordability and quality. To that end, tuition has been frozen for two years to make college more affordable and accessible to Ohio's students and adult learners. However, as an investment in the transformed system of higher education, the Governor and the Legislature have increased state funding in the new state budget. Over the current biennium, state funding for the College has increased by \$3.6 million. At the same time, the state budget has mandated that state colleges and universities demonstrate efficiency savings in FY 2008 and FY 2009. For the College, that equates to \$2 million over the biennium. Collaboration among Ohio's institutions is also a central theme of the Governor's initiative. In addition, the Governor, by executive directive, has ordered the Chancellor to create The University System of Ohio to meet Ohioan's needs for the 21st century.

While the outlook for state support of higher education in Ohio is positive, the College exists in an increasingly competitive environment. In response to the competition, a number of proactive initiatives have been addressed in Academics, Workforce Development, Quality Improvement, Enrollment and Retention, Master Planning, Energy Management and other services to minimize the economic impact of competition on the College's future operations.

Academics

In academics, proactive initiatives have included new program development, enhancement and elimination of weak programs, and forging innovative partnerships. Implementation and tracking of an Academic Master Plan and a Distance Learning Strategic Plan are in progress.

Program development is based on a study of Ohio labor trends and the growth of new technologies. In 2008 fall term certificates in Electroneurodiagnostic Technology, Medication Aide, Orthopedic Technology, and Sustainable Design were offered. New programs launched this past academic year, such as Renewable Energy and Power Systems, were improved and more aggressively marketed and now enjoy good enrollments. Biotechnology and Management of Technology have been developed and students will be admitted as soon as the Ohio Board of Regents (OBR) approval is obtained.

In 2007 the College fully implemented the Program Review process based on a model involving program quality, cost, and enrollment. Savings were realized in the elimination of three programs. In addition program improvements to address weak areas have been beneficial. This includes redesign of the Hospitality program and establishment of a dual admission hospitality degree with the University of Cincinnati, modeled after our joint Culinary Arts agreement.

Several new partnerships in 2008 increased Cincinnati State's visibility and enhanced successful student transfers to four-year programs. These include a general agreement with the Miami University Regional Campuses, a Criminal Justice Bachelors program with Tiffin University at Cincinnati State, a general agreement with Union Institute & University, a Counseling and Human Services Bachelors program with Lindsey Wilson College and an Honors Experience articulation agreement with Northern Kentucky University. In addition, over 100 Cincinnati State courses are now approved under the OBR Transfer Assurance Guide.

New and expanded partnerships with high schools were created to enhance student recruitment and preparation for college. This includes a dual enrollment option with Milford High School, participation in the grant proposal and planning of a STEM (Science, Technology, Engineering and Math) High School with the University of Cincinnati, developing a Construction Major Pathway with the new Woodward Career Technical School, and working with Cincinnati Public Schools in securing funds and executing the state sponsored [high school] Seniors to [college] Sophomores Initiative.

Corporate and community collaborations have been forged and expanded to support growth and innovative opportunities for students. Our Information Technology classes are going well at the MAX Technical Training site in Mason, Ohio. Cincinnati State continues to expand its Tech Prep agreements and is the largest institution with about one third of the consortium's 1,000 college students. The College expanded the Health Careers Collaborative with Health Alliance, Children's Hospital, Super Jobs and other organizations to allow more incumbent workers to receive degrees. Currently there are 110 students in the program and the retention rate is 89%. We are planning the transition of the Great Oaks Practical Nursing certificate to Cincinnati State in 2009 and this will increase our enrollment by about 250 students.

The quality of academic programs continues to be emphasized through successful professional reviews, licensure exam results, and competitive events. The American Dietetic Association affirmed our effectiveness in redesigning the Dietetics program and incorporating it into the Midwest Culinary Institute. Integrative Medical Massage Therapy students completed the Ohio Medical Board's LMT exam in June with a 100% pass rate. The State of Ohio pass rate is 88%. The Nursing program achieved a 93.8% pass rate for first-time students, three points higher than the Ohio average. Cincinnati State SIFE (Students In Free Enterprise) team won the two-year college category at the SIFE USA Regional Competition in March. Landscape Horticulture Technologies students participated in the Professional Landcare Network (PLANET) Student Career Day in Acworth, Georgia, bringing home successes in various individual competitions – first in Woody Plant Identification, third overall in Irrigation Design, and fourth in Construction Cost Estimation – among 66 colleges and universities. A Graphic Design student was a 2008 Student Gold ADDY Award winner. The ADDY, sponsored by American Advertising Federation, is the world's largest advertising competition. There are many more examples of our high quality academic programs.

Workforce Development

The Workforce Development Center is a Center of Excellence model that positions Cincinnati State as the premier regional training provider. This recent restructuring of our industry training model is designed to create synergy among similar program offerings across the College that will enhance the reputation of the College as a “full-service” training partner; create a “one-stop” approach for public- and private-sector organizations that will increase employee opportunities to receive academic credit through existing College certificates/degrees or customized programs; and establish the College as a “regional hub” in specific areas of training and consulting services.

Quality Management

The College has made a commitment to creating an environment of continuous improvement through the Quality Management Initiative (QMI). This effort includes undergoing institutional reaccreditation from the Higher Learning Commission via the Academic Quality Improvement Program (AQIP). AQIP is based on Malcolm Baldrige National Award principles for organizational quality management. In this academic year, the College met all AQIP requirements. Additionally, the College is an active member of the Continuous Quality Improvement Network (CQIN), a consortium of colleges, universities, non-profit and corporate organizations focused on performance excellence in higher education.

Enrollment and Retention

Enrollment numbers for the 2008 spring and summer terms were up. Early fall enrollment has declined by 3%, which was unexpected due to all of the earlier indicators. An analysis of early fall term enrollment by the Enrollment Task Force indicates that the decline is attributed to a number of factors, some of which we may improve. Several initiatives (actions) are being implemented to respond to the decrease in enrollment.

The College continues to take measures to improve enrollment and retention by improving academic support and student engagement through co-curricular and extracurricular activities to impact student persistence to graduation. In May 2008, the Advising and Counseling Center opened to improve services and accommodations for the “at promise” student population. The Center provides an environment of access, connection, and direction for students in which developmental and intrusive advising and counseling methods are used to assist and retain students. Additionally, an expanded retention initiative for 2008-2009 is “Getting Back on Track,” an intrusive, early academic intervention program. Academic and student services personnel are collaborating in this effort.

The AQIP Retention Action Project over the past year has focused on activities to engage the college in the retention effort, “Creating a Culture of Student Success.” A welcome initiative, “Making Connections,” brought college personnel from across the campus together to welcome new students and provide information. Two retention conferences were arranged with the support and coordination of the Greater Cincinnati Consortium of Colleges and Universities. The purchase and use of the “Call Command” phone system has created an additional avenue to communicate to current and future students to maintain connections in emergency situations and with academic/personal outreach.

Focused efforts with the new branding, including targeted advertising, development of a website dedicated to prospective students, emerging distance learning opportunities, and new academic degree programs and certificates represent additional initiatives to increase enrollment numbers.

Master Plan

During the year, Cincinnati State completed development of a ten-year comprehensive College Master Plan for the future development of the College. It includes an Academic Master Plan that forecasts the future of educational programming and need for additional resources. It also includes a Facilities Master Plan that evaluates existing land, infrastructure, facilities, and systems; visualizes spaces and technologies needed by the educational programs and services; and specifies the capital outlay projects necessary to meet these needs. Overall, the comprehensive College Master Plan determines a logical structure for ordered growth and change so that the College makes best use of its resources.

These Master Plans are in alignment with the vision, mission and values of the College as reflected in the strategic plan. Additionally, the Plan provides information that will be essential in the strategic planning process for development of Transition 2012.

Energy Management

The College is embarking on an energy conservation initiative under the coordinated management of the Ohio Department of Administrative Services. This project will include, in various buildings, installation of direct digital controls, enhancement of existing direct digital controls, installation of a high efficiency primary boiler, installation of gas-fired domestic water heaters, and lighting controls. This project will generate a reduction in annual utility costs of approximately 13%. The performance project is on schedule with a 50% completion measure. Total completion of the project is scheduled for January 2009. Energy reduction will begin to take place in the fall as the installation and changes occur.

Energy awareness programs have been initiated throughout the college community in an attempt to change user habits. Schedules are being altered by both academic and service areas to improve the overall energy demand ratios. Several other major initiatives are being implemented throughout the building, including heating and cooling retention systems, temperature control measures, and improved management of unoccupied areas. These additional items will generate an additional 7% reduction in energy demand, which will allow the college to meet the state-mandated 20% reduction. Our energy provider has accepted the ownership of the upgrades to our electrical distribution system project. This project allows the college to make needed improvements without incurring debt. The college has been purchasing futures on natural gas as far out as three years in an attempt to hold down escalating gas costs and to establish stability for utility budgets. With historical data as a basis for the natural market gas, this initiative will save the college an additional \$100,000 annually.

Information Technology

Technology has a significant impact on the College's competitive position, on the quality of academic programs and on administrative efficiencies. The College continues to make significant progress in instructional support, administrative computing, networking and infrastructure enhancements and user support. Management is fully committed to the financial support of information technology including several of the recently initiated endeavors—scheduling and event-planning software, to allow more efficient use of facilities; online grade reports, registration statements and internal forms to eliminating paper, printing, postage, and mail handling costs; document imaging to reduce storage costs; and server virtualization to add infrastructure capacity without having to add hardware.

Fund Raising

The Cincinnati State Foundation is charged with seeking private and public funding for the benefit of the College. The Foundation Board will strategically integrate its long-term fundraising objectives with the College's Master Plans to include specifically targeting major gifts and securing a greater number of individual and corporate endowed scholarship funds. The Foundation also instituted the Collegiate Corporate Partners campaign to increase giving, volunteerism, cooperative education and corporate training opportunities.

Summary

Looking forward, the College remains positioned to maintain its financial condition through enhanced academic programming, partnerships, continuous quality improvement and master planning, through growing enrollments and retention, and by continuing to successfully control costs through firm fiscal and operational management.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,553,495	\$ 15,369,806
Accounts receivable, net	6,901,255	6,349,905
Inventories	44,463	65,153
Prepaid and other assets	<u>630,842</u>	<u>818,388</u>
Total current assets	<u>27,130,055</u>	<u>22,603,252</u>
Noncurrent assets		
Cash and cash equivalents	8,470	6,628
Notes receivable, net	33,806	36,766
Other assets	386,854	417,483
Capital assets, net	<u>90,271,862</u>	<u>92,410,145</u>
Total noncurrent assets	<u>90,700,992</u>	<u>92,871,022</u>
Total assets	<u>117,831,047</u>	<u>115,474,274</u>
LIABILITIES		
Current liabilities		
Accounts payable	1,573,556	1,621,687
Accrued liabilities		
Wages	594,791	471,080
Compensated absences	4,185,933	3,574,248
Other	762,772	771,594
Interest	654,263	654,437
Deferred revenue	3,092,675	2,842,560
Current portion of long-term debt	<u>771,199</u>	<u>336,788</u>
Total current liabilities	11,635,189	10,272,394
Long-term debt	<u>47,824,889</u>	<u>48,596,088</u>
Total liabilities	<u>59,460,078</u>	<u>58,868,482</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,586,050	44,587,900
Restricted expendable	1,363,121	446,429
Unrestricted	<u>14,421,798</u>	<u>11,571,463</u>
Total net assets	<u>\$ 58,370,969</u>	<u>\$ 56,605,792</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarships and student financial aid of \$10,024,566 and \$9,684,958 in 2008 and 2007, respectively	\$ 22,415,555	\$ 21,944,631
Federal grants and contracts	2,598,089	2,633,597
State and local grants and contracts	4,204,532	3,599,994
Nongovernmental grants and contracts	1,115,937	489,842
Sales and services of educational departments	2,408,803	2,081,899
Auxiliary enterprises	3,125,764	2,786,157
Other operating revenues	<u>871,974</u>	<u>828,256</u>
Total operating revenues	<u>36,740,654</u>	<u>34,364,376</u>
EXPENSES		
Operating expenses		
Instructional	27,411,916	25,892,802
Public support	2,123,462	1,708,172
Academic support	4,340,013	4,066,518
Student services	6,664,641	5,883,600
Institutional support	14,998,098	12,692,250
Plant operation and maintenance	6,626,185	6,455,606
Scholarships and student financial aid	1,524,397	1,226,184
Auxiliary enterprises	2,630,436	2,368,936
Depreciation	<u>3,307,619</u>	<u>3,589,805</u>
Total operating expenses	<u>69,626,767</u>	<u>63,883,873</u>
Operating loss	(32,886,113)	(29,519,497)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	27,427,217	26,050,719
Federal grants and contracts	6,312,193	6,173,193
Interest on capital asset related debt	(2,337,783)	(2,411,989)
Investment income, net of investment expense	<u>715,608</u>	<u>701,122</u>
Net nonoperating revenues	<u>32,117,235</u>	<u>30,513,045</u>
Increase (decrease) before other revenues, expenses, gains or losses	(768,878)	993,548
Capital appropriations from the state	2,532,060	2,155,765
Capital grants and gifts	<u>1,995</u>	<u>44,495</u>
Increase in net assets	1,765,177	3,193,808
Net assets:		
Net assets, beginning of year	<u>56,605,792</u>	<u>53,411,984</u>
Net assets, end of year	<u>\$ 58,370,969</u>	<u>\$ 56,605,792</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Tuition and fees	\$ 22,123,009	\$ 21,998,180
Federal, state and local grants and contracts	6,796,891	6,042,805
Payments to suppliers	(12,977,841)	(10,739,990)
Payments to utilities	(2,053,159)	(2,082,465)
Payments to employees	(33,509,965)	(32,179,756)
Payments for benefits	(12,604,629)	(11,495,691)
Payments for scholarships and student financial aid	(1,524,397)	(1,226,184)
Auxiliary enterprise revenues	495,328	417,221
Sales and services of educational activities	2,408,803	2,081,899
Other receipts	<u>1,987,912</u>	<u>1,318,098</u>
Net cash from operating activities	<u>(28,858,048)</u>	<u>(25,865,883)</u>
Cash flows from noncapital financing activities		
State appropriations	27,427,217	26,050,719
Federal grants and contracts non exchange	<u>6,312,193</u>	<u>6,173,193</u>
Net cash from non operating activities	33,739,410	32,223,912
Cash flows from capital and related financing activities		
State capital appropriations	2,532,060	2,155,765
Principal payments on bonds	(200,355)	(175,469)
Principal payments on capital lease obligations	(136,433)	(136,433)
Interest payments on bonds and capital lease obligations	(2,337,957)	(2,357,751)
Capital grants and gifts received	1,995	44,495
Purchases of capital assets	<u>(1,270,749)</u>	<u>(2,240,720)</u>
Net cash from capital and related financing activities	<u>(1,411,439)</u>	<u>(2,710,113)</u>
Cash flows from investing activities		
Interest on investments	<u>715,608</u>	<u>701,122</u>
Net increase in cash and cash equivalents	4,185,531	4,349,038
Cash and cash equivalents, beginning of year	<u>15,376,434</u>	<u>11,027,396</u>
Cash and cash equivalents, end of year	<u>\$ 19,561,965</u>	<u>\$ 15,376,434</u>
Reconciliation of net operating loss to cash from operating activities:		
Operating loss	\$(32,886,113)	\$(29,519,496)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	3,307,619	3,589,805
Loss on disposal of capital assets	101,413	115,038
Change in assets and liabilities		
Receivables	(548,391)	561,992
Inventories	20,690	(39,639)
Other assets	218,176	(156,815)
Accounts payable and accrued expenses	678,442	282,463
Deferred revenue	<u>250,116</u>	<u>(699,232)</u>
Net cash from operating activities	<u>\$ (28,858,048)</u>	<u>\$ (25,865,883)</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Cincinnati State Technical and Community College (the College) is a community college organized under the laws of Ohio. The College is a two-year institution of higher education receiving assistance from the State of Ohio through enrollment-based subsidies. The subsidies are determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to consider state resources available. The College offers associate degree programs and majors and certificate programs in a distinctive plan of cooperative education which prepares students for employment and/or career advancement upon graduation. Further, among other things, community college status allows the College to offer university transfer degrees (e.g., Associate of Art and Associate of Science degrees). The College is a component unit of the State of Ohio.

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The College has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, became effective on July 1, 2003. This Statement amended Statement 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting as a component unit an organization that raises and holds significant economic resources for the direct benefit of a government unit. The Cincinnati State Technical and Community College Foundation is not included as a component unit of the College since its economic resources are not considered significant to the College.

In accordance with GASB Statement No 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and subsequent standards issued by GASB, the College has elected to report as an entity engaged in business-type activities. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- Investments in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted:

Expendable: Net assets the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. The balance at June 30, 2008 and 2007 was primarily restricted for grants, scholarships and capital expenditures.

Nonexpendable: Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

- Unrestricted: Net assets the use of which is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB No. 35 is intended to provide a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Cash and Cash Equivalents: In accordance with the State of Ohio and College policy, the College is authorized to invest cash in United States government securities, Federal Agencies' securities, State of Ohio securities and certificates of deposit, all of which are stated at fair value.

The College considers all highly liquid investments purchased with original maturity of three months or less to be a cash equivalent.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

Capital Assets: Land, land improvements, buildings, equipment and library books are stated at cost at date of acquisitions or, in the case of gifts, fair value at date of donation. Fixed assets acquired prior to June 30, 1988, have been recorded on the basis of a cost-based appraisal prepared by an independent appraisal firm. Subsequent additions have been recorded at cost. Additions greater than \$5,000 are capitalized for furniture and fixtures and greater than \$1,000 for all other assets. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenditures for construction in progress are capitalized as incurred.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue: Assessed student tuition and fees as well as parking receipts received and related to the period after June 30 have been deferred. Grant money received but not yet expended for grant purposes at year end are recognized as deferred revenue.

Compensated Absences: Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The College uses the termination method to accrue sick leave compensated absences on the balance sheet.

Operating and Non-operating Revenue: All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, investment income and gifts.

Grants and Scholarships: Student tuition and fees are presented net of scholarships and student financial aid applied directly to student accounts. Scholarships and student financial aid consist primarily of awards to students from certain government programs and Ohio Instructional Grant Program. Payments made directly to students from scholarships and student financial aid are presented as student aid expense.

Federal Grants and Contracts: In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* and recent updates in GASB's *Implementation Guide*, Pell Grants, and certain other grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

Income Taxes: Income taxes have not been provided on the general operations of the College because, as a state institution, its income is generally exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Management Estimates: The preparations of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures* – an amendment of GASB Statements No. 25 and No. 27, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits.

In addition, in September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governmental entities sometimes exchange an interest in their expected future cash flows from collecting specific receivables or specific revenues for immediate cash payments. This statement establishes criteria that the entity will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The statement also includes guidance to be used for recognizing other assets and liabilities arising from the sale of specific receivables or future revenues, including residual interests and recourse provisions. The provisions of this statement became effective for financial statements for fiscal periods beginning after December 15, 2006.

These statements had no effect on College's financial statements in 2008.

Recent Accounting Pronouncements: In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future remediation activities that are required upon retirement of an asset. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2007.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2009.

In November 2007, the GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. It also requires governments to report the changes in fair value as investment income and to disclose methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The provisions of this statement are effective for fiscal periods beginning after June 15, 2008.

In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by governments. The provisions of this statement are effective for fiscal periods beginning after June 15, 2009.

The College has not yet determined the impact implementation of these standards will have on its financial statements. However it does not anticipate that these statements will have a material effect on its financial statements.

Reclassifications: Certain reclassifications to fiscal 2007 comparative amounts have been made to conform to the 2008 classifications.

NOTE 2 - CASH AND CASH EQUIVALENTS

State of Ohio statutes generally require funds to be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage, with the balance exceeding the FDIC coverage adequately collateralized by the depository bank. Such collateral must consist of securities pledged and held in the College's name or under a pooled security arrangement not in the College's name but where the pledged amount is at least 110% of the deposit balance.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2008, the cash on hand was \$13,420, the carrying amount of the College's deposits was \$19,548,545 and the depository bank balance was \$20,226,599. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. The bank balance includes \$4,411,074 in the State Treasury Asset Reserve of Ohio (STAR Ohio) for which the collateral requirements mentioned above do not apply. Of the remaining \$15,815,525 bank balance, \$100,000 was covered by federal depository insurance and \$15,715,525 was collateralized by pledged, pooled securities not in the College's name. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governmental entities within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but does

operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the measurement date. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

A portion of the College's cash (\$8,470 and \$6,628 at June 30, 2008 and 2007) is noncurrent since it is designated for restricted purposes.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2008 and 2007, were as follows:

	<u>2008</u>	<u>2007</u>
Grants	\$ 781,251	\$ 1,194,938
State appropriations	237,236	769
Tuition and other	8,024,579	7,740,714
Allowance for doubtful accounts	<u>(2,141,811)</u>	<u>(2,586,516)</u>
	<u>\$ 6,901,255</u>	<u>\$ 6,349,905</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2008 and 2007 was as follows:

	2008 Beginning <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	2008 Ending <u>Balance</u>
Land	\$ 2,583,449	\$ -	\$ -	\$ 2,583,449
Land improvements	2,256,078	-	-	2,256,078
Buildings and improvements	114,661,789	783,991	-	115,445,780
Equipment and furniture	9,684,831	421,649	(1,460,629)	8,645,851
Library books and audio visual	<u>1,402,493</u>	<u>65,109</u>	<u>-</u>	<u>1,467,602</u>
Total fixed assets	130,588,640	1,270,749	(1,460,629)	130,398,760
Accumulated depreciation				
Buildings and improvements	30,441,292	2,657,775	-	33,099,067
Equipment and furniture	7,147,727	577,378	(1,359,216)	6,365,889
Library books and audio visual	<u>589,476</u>	<u>72,466</u>	<u>-</u>	<u>661,942</u>
Total accumulated deprec.	<u>38,178,495</u>	<u>3,307,619</u>	<u>(1,359,216)</u>	<u>40,126,898</u>
Capital assets, net	<u>\$ 92,410,145</u>	<u>\$ (2,036,870)</u>	<u>\$ (101,413)</u>	<u>\$ 90,271,862</u>
	2007 Beginning <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	2007 Ending <u>Balance</u>
Land	\$ 2,583,449	\$ -	\$ -	\$ 2,583,449
Land improvements	2,256,078	-	-	2,256,078
Buildings and improvements	112,756,101	1,905,688	-	114,661,789
Equipment and furniture	10,356,141	335,032	(1,006,342)	9,684,831
Library books and audio visual	<u>1,608,298</u>	<u>-</u>	<u>(205,805)</u>	<u>1,402,493</u>
Total fixed assets	129,560,067	2,240,720	(1,212,147)	130,588,640
Accumulated depreciation				
Buildings and improvements	27,781,917	2,659,375	-	30,441,292
Equipment and furniture	7,164,218	855,359	(871,850)	7,147,727
Library books and audio visual	<u>739,665</u>	<u>75,071</u>	<u>(225,260)</u>	<u>589,476</u>
Total accumulated deprec.	<u>35,685,800</u>	<u>3,589,805</u>	<u>(1,097,110)</u>	<u>38,178,495</u>
Capital assets, net	<u>\$ 93,874,267</u>	<u>\$ (1,349,085)</u>	<u>\$ (115,037)</u>	<u>\$ 92,410,145</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 4 - CAPITAL ASSETS (Continued)

The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Land improvements	20
Buildings and improvements	15-60
Equipment and furniture	3-20
Library books and audio visual	20

NOTE 5 - LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2008 and 2007, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u>	<u>Long-Term</u>
General receipts bonds	\$ 47,395,000	\$ -	\$ (110,000)	\$ 47,285,000	\$ 545,000	\$ 46,740,000
Bond premium	<u>1,230,901</u>	<u>-</u>	<u>(90,355)</u>	<u>1,140,546</u>	<u>89,766</u>	<u>1,050,780</u>
Total	48,625,901	-	(200,355)	48,425,546	634,766	47,790,780
Capital lease obligation	<u>306,975</u>	<u>-</u>	<u>(136,433)</u>	<u>170,542</u>	<u>136,433</u>	<u>34,109</u>
Total	<u>\$ 48,932,876</u>	<u>\$ -</u>	<u>\$ (336,788)</u>	<u>\$ 48,596,088</u>	<u>\$ 771,199</u>	<u>\$ 47,824,889</u>

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u>	<u>Long-Term</u>
General receipts bonds	\$ 47,480,000	\$ -	\$ (85,000)	\$ 47,395,000	\$ 110,000	\$ 47,285,000
Bond premium	<u>1,321,370</u>	<u>-</u>	<u>(90,469)</u>	<u>1,230,901</u>	<u>90,355</u>	<u>1,140,546</u>
Total	48,801,370	-	(175,469)	48,625,901	200,355	48,425,546
Capital lease obligation	<u>443,408</u>	<u>-</u>	<u>(136,433)</u>	<u>306,975</u>	<u>136,433</u>	<u>170,542</u>
Total	<u>\$ 49,244,778</u>	<u>\$ -</u>	<u>\$ (311,902)</u>	<u>\$ 48,932,876</u>	<u>\$ 336,788</u>	<u>\$ 48,596,088</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 5 - LONG TERM DEBT (Continued)

During the year ended June 30, 2003, the College issued General Receipts Bonds, series 2002 for \$47,580,000 that bear interest rates between 2.25% to 5.25% and that mature in 2029. Proceeds were used for paying costs of capital facilities. The bonds are collateralized by a pledge of general receipts of the College. The bond agreement includes certain covenants and guidelines related to the College's indebtedness. The College entered into the capital lease during the year ended June 30, 2006, to acquire communication infrastructure equipment. The cost of the equipment was approximately \$500,000 and has net book value of approximately \$171,000 at June 30, 2008.

The annual debt service requirements to maturity for the bonds and capital lease obligations are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 681,433	\$ 2,395,308	\$ 3,076,741
2010	624,109	2,362,454	2,986,563
2011	1,065,000	2,313,063	3,378,063
2012	1,140,000	2,257,000	3,397,000
2013	1,675,000	2,179,937	3,854,937
2014-2018	9,795,000	9,516,017	19,311,017
2019-2023	12,965,000	6,513,816	19,478,816
2024-2028	16,650,000	2,671,256	19,321,256
2029	<u>2,860,000</u>	<u>33,750</u>	<u>2,895,750</u>
Total	<u>\$ 47,455,542</u>	<u>\$ 30,242,601</u>	<u>\$ 77,698,143</u>

NOTE 6 - EMPLOYEE BENEFIT PLANS

All employees of the College are members of a pension plan. College employees holding a position for which the Ohio Department of Teacher Education and Certification does not require a certificate are members of the School Employees Retirement System (SERS) and College employees holding a position that requires a certificate are members of the State Teachers Retirement System of Ohio (STRS).

SERS and STRS are statewide cost-sharing multi-employer defined-benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 6 - EMPLOYEE BENEFIT PLANS (Continued)

Authority to establish and amend benefits is provided by the Ohio Revised Code. The financial statements and required supplementary statements for SERS and STRS for the year ended June 30, 2006 are made available for public inspection. The reports may be obtained by writing or calling:

<p>SERS 300 East Broad Street, Suite 100 Columbus, OH 43215-3746 (614) 222-5853</p>	<p>STRS 275 East Broad Street Columbus, OH 43215-3771 (614) 227-4090</p>
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SERS and STRS plan members are required to contribute 10.0% of their annual salary. The College is currently required to contribute 14% of annual covered payroll for SERS and STRS. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to SERS and STRS for the years ending June 30, 2008, 2007 and 2006, were as follows:

<u>Year</u>	<u>Contribution</u>	
	<u>SERS</u>	<u>STRS</u>
2008	\$ 1,488,509	\$ 2,959,550
2007	1,333,014	2,848,303
2006	1,145,003	2,815,270

The contributions made by the College were equal to the required contributions for each year.

Effective March 31, 1999, the Board of Trustees of the College approved the Chapter 3305 Alternative Retirement Plan in accordance with the provisions of the Chapter 3305 of the Ohio Revised Code, which requires Ohio public universities and colleges to offer defined contribution plans to employees as an alternative to participation in the state-mandated defined benefit plans. Under the new plan, employees have participant-directed accounts with participant-selected companies designated by the state that have entered into provider agreements with the College to administer the plan in accordance with plan provisions as adopted by the College. At June 30, 2008, no contributions or rollovers from other benefit plans have been made to approved providers.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, SERS and STRS provide post-retirement health care coverage. The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions. Information presented herein about the financial activities and position of SERS and STRS has been extracted from information provided to the College by officials of SERS and STRS. The other postemployment benefits expense is included in the College's annual contributions as described in Note 6.

SERS: SERS coverage is made available to service retirees with ten or more years of qualifying service credit for disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of services, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 25% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the health care allocation is 3.32%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2007, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of asset target level for the health care fund. Surcharge amounts billed to the College have not been significant.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2007, were \$219 million. At June 30, 2007, the Retirement System's net assets available for payment of health care benefits were \$386 million and the number of benefit recipients was approximately 63,500.

STRS: STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code (RC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The RC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For fiscal year ended June 30, 2007, net health care costs paid by STRS were approximately \$301,900,000. There were 122,944 eligible benefit recipients.

NOTE 8 - COMPENSATED ABSENCES

All full-time non-union and SEIU employees earn 15 days (or 120 hours) of personal and/or sick leave each year. All remaining full-time employees earn 13 days (or 104 hours) of personal and/or sick leave each year. Part-time SEIU employees have sick leave prorated according to their normal work schedule.

Leave days may be accumulated and are absorbed by time off due to illness or injury, or, within certain limitations, paid to the employee upon retirement or termination. The amount paid to an employee upon retirement or termination is limited to one-third of the accumulated leave days up to a maximum payout of 65 days. Full-time employees who are not in the College's American Association of University Professors bargaining unit and were hired on or after March 1, 1990, are entitled to a maximum payout of 30 days. The College has accrued a liability for all accumulated days earned by the employees up to the maximum payout upon retirement. At June 30, 2008 and 2007, the liability for personal and/or sick leave was approximately \$3,072,000 and \$2,473,000, respectively.

Contract employees earn 20 days vacation leave each year. Non-contract employees earn 10 days vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2008 and 2007, the liability for vacation was approximately \$1,114,000 and \$1,101,000, respectively.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 9 - GRANTS AND CONTRACTS

The College receives grants and contracts from certain federal, state and local agencies. The costs, both direct and indirect, that have been charged to the grant or contract are subject to examination and approval by the granting agency. It is the opinion of the College administration that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

NOTE 10 - LEASES

The College leases various equipment and facilities under operating leases. Rental expenditures relating to operating lease agreements were approximately \$1,210,000 and \$1,232,000 for the years ended June 30, 2008 and 2007, respectively. The approximate future minimum payments under operating leases at June 30, 2008, are due as follows:

2009	\$ 1,075,000
2010	908,000
2011	620,000
2012	<u>33,000</u>
Total	<u>\$ 2,636,000</u>

NOTE 11 - AUXILIARY ENTERPRISES

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2008, and 2007, consist of the following:

<u>2008</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>Total</u>
Revenues	\$ 1,186,090	\$ 982,094	\$ 205,822	\$ 354,215	\$ 397,543	\$ 3,125,764
Expenses	<u>572,240</u>	<u>998,408</u>	<u>256,203</u>	<u>322,377</u>	<u>481,208</u>	<u>2,630,436</u>
Excess (deficiency) of revenues over expenses	<u>\$ 613,850</u>	<u>\$ (16,314)</u>	<u>\$ (50,381)</u>	<u>\$ 31,838</u>	<u>\$ (83,665)</u>	<u>\$ 495,328</u>
<u>2007</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>Total</u>
Revenues	\$ 1,058,260	\$ 934,660	\$ 226,668	\$ 274,412	\$ 292,157	\$ 2,786,157
Expenses	<u>634,775</u>	<u>983,604</u>	<u>207,777</u>	<u>320,535</u>	<u>222,245</u>	<u>2,368,936</u>
Excess (deficiency) of revenues over expenses	<u>\$ 423,485</u>	<u>\$ (48,944)</u>	<u>\$ 18,891</u>	<u>\$ (46,123)</u>	<u>\$ 69,912</u>	<u>\$ 417,221</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 11 - AUXILIARY ENTERPRISES (Continued)

During the year ended June 30, 2006, the College opened the MCI auxiliary restaurant and catering service. Depreciation expense is not allocated to the individual auxiliary enterprise.

NOTE 12 - RESTRICTED NET ASSETS

Restricted net assets are expendable for use in public service of approximately \$10,000 (2008) and \$38,000 (2007), in student loans of approximately \$85,000 (2008) and \$75,000 (2007), in debt service facility fee of \$642,000 (2008) and \$333,000 (2007) and in an energy project of \$626,000 (2008).

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage. The College purchases commercial insurance to cover losses. There has been no reduction in insurance coverage. Insurance settlements for claims resulting from risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

NOTE 14 - PENDING LITIGATION

The College is party to various litigation in the ordinary course of business. However, College management is of the opinion, based on legal advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the future operations or financial position of the College.

SUPPLEMENTARY INFORMATION

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

<u>Federal Grant/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
Direct Programs			
Student Financial Aid Cluster			
Federal Pell Grant Program		84.063	\$ 6,317,936
Academic Competitiveness Grant		84.375	96,0455
Federal Perkins Loan Program		84.038	73,532
Federal Work Study Program		84.033	451,985
Federal Supplemental Educational Opportunity Grant Program		84.007	421,724
Federal Family Educational Loan Program		84.032	<u>19,937,825</u>
Total Student Financial Aid Cluster			27,299,047
TRIO Cluster			
Upward Bound Traditional		84.047A	112,786
Upward Bound		84.047M	51,766
Upward Bound Veteran's		84.047V	134,608
Student Support Services		84.042A	273,281
EOC		84.066	<u>235,384</u>
Total TRIO Cluster			807,825
Basic Grants to States		84.048	161,431
Tech Prep Perkins		82.243A	258,451
Pass through Cincinnati Public Schools			
No Child Left Behind	424172	84.010	80,505
Pass through University of Cincinnati			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	P000-030-J617	84.334A	<u>550,210</u>
Total U. S. Department of Education			<u>29,157,469</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2008

<u>Federal Grant/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs			
HCOP Grant		93.822	\$ 13,929
Passed through Hamilton County per DHS			
Academic Remediation		93.558	41,349
Tutoring Grant	83347	93.558	<u>1,221</u>
Total U. S. Department of Health and Human Services			<u>56,499</u>
U. S. DEPARTMENT OF TRANSPORTATION			
FAA Airport Grant		20.106	<u>21,426</u>
U. S. DEPARTMENT OF LABOR			
ETA		17.261	14,462
Community Based Job Training		17.269	<u>351,695</u>
Total U. S. Department of Labor			<u>366,157</u>
Total Federal Awards			<u>\$ 29,601,551</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

This schedule includes the federal awards activity of Cincinnati State Technical and Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers were available. All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award.

NOTE 2 - LOANS

The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2008:

Unsubsidized Stafford Loan	\$ 9,457,724
Subsidized Stafford Loan	9,715,681
PLUS Loan	800,267

The College administers the Federal Perkins Loan Program (CDFA 84.038). The College made no expenditures or transfers for this program for the year ended June 30, 2008. Only the outstanding loan balance is included in the accompanying Schedule of Expenditures of Federal Awards totaling \$73,532 at June 30, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

We have audited the financial statements of Cincinnati State Technical and Community College (the College) as of and for the year ended June 30, 2008, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated October 14, 2008.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
October 14, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

Compliance

We have audited the compliance of Cincinnati State and Technical College (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The College’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College’s management. Our responsibility is to express an opinion on the College’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College’s compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency.

A *control deficiency* in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

We noted certain other matters that we have reported to management in a separate letter dated October 14, 2008.

Cincinnati State Technical and Community College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Cincinnati State Technical and Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio
October 14, 2008

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not
considered to be material weaknesses? Yes X None
Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not
considered to be material weaknesses? X Yes None
Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of
OMB Circular A-133? X Yes No

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2008

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
	TRIO Cluster:
84.047A	Upward Bound Traditional
84.047M	Upward Bound
84.047V	Upward Bound Veteran's
84.042A	Student Support Services
84.066	EOC
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
17.269	Community Based Job Training

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2008.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Section III - Federal Award Findings

FINDING 08-01

Federal program information: 17.269 Community Based Job Training

Criteria: According to the provisions of the grant, the College is required to submit quarterly reports of receipts and expenditures to the Department of Labor.

Condition: The College has not implemented adequate policies and procedures in place related to financial reporting of this grant. The supporting documentation for quarterly financial reports submitted to the Department of Labor is not retained by the College. In addition, there is no review of the financial reports.

Context: The financial reports require current period and cumulative amounts of cash receipts and expenditures, which are supported by the general ledger at the time the reports are prepared and submitted. However, the general ledger for the period being reported could not be agreed to the submitted reports during our testing due to adjustments to the expenditures for monthly accruals.

Recommendation: We recommend the College develop and implement a process for preparing and reviewing quarterly financial reports that includes the retention of supporting documentation for each report.

Management's response: Management concurs with the finding.

Corrective actions taken or to be taken: As a result of an internal audit of grants management, the College is in the process of developing consistent policies and procedures for grant financial reporting. Financial reports for grants will be produced by the grant accountant. Subsequently, the report, with appropriate supporting documentation, will be reviewed and approved by both the Director over the grant accounting function and the program manager. Reviews will be evidenced in writing and copies of the financial report along with the supporting documentation will be maintained by the grant accountant.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Section IV -Prior Year Findings and Questioned Costs

Finding 07-01

The College should implement and maintain appropriate control procedures over all aspects of payroll processing including appropriate monitoring.

Status: Corrective action has been taken.



Mary Taylor, CPA
Auditor of State

**CINCINNATI STATE AND TECHNICAL COMMUNITY COLLEGE
HAMILTON COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2008**